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CONTRACTS LET TO CHARLES CROCKER & CO. AND THE CONTRACT AND FINANCE CO.

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AND THE CONTRACT AND FINANCE CO.

The officers of the Central Pacific Railroad Company have been unsparingly denounced for their action in letting these contracts: but it will be seen, on a fair review of their situation at that time, it was the wisest and most advantageous thing that could be done for the inserests of the corporation and the Government, and that it was the only practical way in which the road could then have been built.

The immigration to California commenced in 1849, and for the succeeding five years it was peopled with a rapidity unknown in history. California became a State on the 9th of September. 1840, so that at the time of the passage of the act of Congress of 1862 it had been within the Union a little short of twelve years.

The promoters of the Central Pacific were, speaking comparatively, old residents, in a country which had had an American population for less than thirteen years. Large fortunes at that time had not been accumulated, and they were acquainted with all the men in California who had money to invest or to loan. The banking capitial, of course, could not be great. There were not a great many men who had any surplus not required for daily use in their business. The directors would willingly have let the contract to parties not interested in their corporation if such persons could have been found. Or the corporation would have constructed the road within its own organization if it could have been found. Or the corporation would have constructed the road within its own organization if the could have been found. Or the corporation would have constructed the road within its own organization if the output of the condition of the purpose of the company in the greaty construction of the corporation would have constructed the road within the own organization if it could have been miles of the road, and for that purpose so the company in the speady construction of the company in the speady construction of the company in the speady of the pu

But it very soon became apparent that no ordinary les that would govern between contractors would an-er the purpose of the rapid construction of the road; at sacrifices must be made which the company could ford, but a contractor, looking to profits out of his con-set, could not, Mr. Crocker become apprehensive out his personal Habilities.

He was then told to go on with the work without regard to the terms of the contract, and that the directors would "see him through." Some portion of the road on the western side of the mountains had been let to whour regard to the terms of the contract, and that the directors would "see him through." Some portion of the road on the western side of the mountains had been let to small contractors. Some had performed their contract; some had not. Mr. Crocker assumed the contract; some had not. Mr. Crocker assumed the contracts of those who were derelict, and did the work at the price at which it had been let. But it was evidently impossible to obtain contracts from responsible people for building over the mountains, and if such contracts had been let it would simply have resulted in delay and expense to the corporation, for the contractors could not have performed their agreement. It was a new work. Nothing like it had been seen in this country, or. I may say, in any other. The great railroad building over the Mount Cenis route in Switzerland, and over the Tyrol in Austria, great feats of engineering, as they were claimed to be, and as they undoubtedly were, sink into utter insignificance in comparison with the construction of a road over, or I may say through, the Sierra Nevada Mountains. On the Swiss or Austrian roads they are not pretected by miles of snow-sheds and galleries; nor are their mountains terraced from the base to nearly the apex with a series of retaining walls to prevent the avalanches of snow demolishing the snow sheds, or proving graves for the builders; for the fracks upon those lines have no such protection. They were but few who believed in the practicability of the work, or who thought it tould be successfully carried to completion.

NO OTHER RAILEOAD CONTRACTORS TO SHOUL-

could be successfully carried to completion.

NO OTHER RAILEGAD CONTRACTORS TO SHOULDEEL THE HISES.

It would have been utterly futile to have attempted to bind any contractor, not interested in the future of the company, to perform that
work. The corporation was not in a position to
sgree to make payments at fixed dates. Mr.
Crocker understood its position. He undertook the work, knowing that he would get his
pay just when the corporation could raise it,
and not before. No other solvent contractor
would have made any such arrangement, nor
could any solvent contractor have been obtained to accept the contract which Mr. Crocker
undertook.

From sections one to eighteen, that is, from
the leves at the City of Sacramento to the
eighteenth mile post. Mr. Crocker undertook to
perform the work for \$400,000: \$250,000 in
cash. \$100,000 in the bonds of the company,
and \$50,000 in stock.

Those who are familiar with the condition of
Sacramento in 1862 and 1863, know that the
construction of the road for that eighteen miles
was very expensive. The testimony of Mr.
pays, an old resident of California, and of late
years the President of a railroad company,
shows what had to be done to build an emlean washed away by the overflow of the Sacramento lilver after it was built.

The grades of the City of Sacramento, for
soppe distance from the Sacramento River, have
been raised about nine feet, so as to bring them
on a level with the altitude of the Central
Pacific track, which it was found necessary to
should bridge should not be endangered. So
that this eighteen miles could not be consucced from the Sacramento River, in the rainy
season. In addition, the approaches to the
American River had to be protected, so that by
the overflow of that river the abuttments of the
railroad bridge should not be endangered. So
that this eighteen miles could not be consucced from the secaped from its performance
without loss, he took no profit.
But it is claimed that Mr. Crocker and the
directors

sould not be bartered, and was useress as a solutional.

We have it from the evidence of Mr. Stanford that when the road had been constructed to the State line, the company had spent all its sallable resources and all the securities that sailable issued on that part of the work, insulated be issued on that part of the work, insulated the bonds loaned by the Government, and were in debt for obligations incurred upon that portion of the work, and the same result aboved by reference to the statistics now on

file in the Treasury Department in relation to the construction of this road.

It is very certain, from the information we have as to the cost and character of the work, the rapidity, and the consequent want of economy with which it was done, that the sum of \$8,327,980 did not cover the entire outlay. The balance was assumed by Charles Crocker and the directors who came to his rescue. The estimate has been made by Mr. Stanford, and no doubt correctly, that the cost of the work done between the 31st and 138th miles for the reception of the track equalled, in day's work, the whole cost of grading a railroad from Truckee to Chicago, a distance nearly 2,100 miles.

It undoubtedly was the intention, when this contract from Newcastle to the 188th mile was let to Mr. Crocker, that the directors should not be interested in it; but they were forced to assume the position they did, and to share with Mr. Crocker what was at that time thought to be a loss on the work. It is gratifying to know that their courageous attitude resulted in their being rewarded with a profit instead of meeting a deficiency. But when Mr. Crocker's labors were concluded, he and his associates were face to face with a position that called for the assumption of a large amount of indebtedness, which could not at that time be met with the stock of the company which they held, or with any quantity of such stock.

After the completion of the road Mr. Crocker deposited the stock which he had received from his various contracts with the Contract and Finance Company, and it was divided among the stockholders of that company, subject to the debts he had incurred.

EX. . CONTRACT AND PINANCE COMPANY.

The extreme financial pressure under which the work intrusted to Charles Crocker & Co. was performed and the difficulty of inducing people of means to become members of a private partnership, led to the formation of the Contract and Finance Company.

The supposed by the director of the Central San apposed by the director of the Central San apposed by the director of the Central San of the Contract and finance Company.

The Contract and Finance Company of the Central San of the Contract and form the State line to the competion with the Union Facific, the owners of capital in the Eastern cities might be induced to become stockholders in such corporation, and, in this way, to insure the completion of the work, of which, at that time, the directors of the Central Facific had very grave doubts.

It was not, as Mr. Stanford says, a matter of profit to the promoters of the Contract and Finance Company; it was a plan to prevent, for asked him how much of the stock in the Contract and Finance Company they should take, the replied; Take as much as you are forced to, and as little as you must."

At that time, if it could have been done, the promoters of the Central Facific were entirely willing to yield their interest in the work, if other or more responsible parties would undertake it, and comply with the terms of the contract made between the corporation and the of prick that the medital financial weakness, than any question of profit. It was their last heps, their last resort, to invite capitalists to ald in the formation of this Construction Company was quite as much in the interests of the Government. The Acid from the Contract and Finance Company will not enable it to perform its contract to construct the road from the contract and Finance Company was much in the interests of the Government as of its promoters; for, as is shown, the formation of this Construction Company was quite as much in the interests of the Government boundary of California to Promotery by about 3. The Central Pacific Railroad Company anything

At that time seventy-four miles of had been accepted by the President, a ceived bonds from the Treasury on	
7 miles at \$16,000	\$112,00 3,216,00
Total. It has issued its own bonds to the same amount, netting	\$3,328,00 3,328,00
These bonds being estimated at 70 cents, the average of the cuties issue produced	\$4,659,20 960,00
The bonus from Sacramento	100.00

eisco has produced. 190.000
The bonus from Sacramento. 190.000
Bonds from Placer. 190.000

Total. 200.000 to be carried by Charles Crocker and his associates.

On the 5th of Cetober, of that year, there had been issued to the Central Pacific of the aid bonds. 200.000
Which had been soid for 3.046.478
All the money had been spent on the work, and the company and contracters were heavily in debt. Besides there was a largo amount of material on the ocean in transit from New York, probably averaging at that time not less than \$2,000.000, and the situation is well expressed by Mr. Miller, the Becretary of the Central Pacific, when he said:

When the road was compisted to the State line the company had expended the proceeds of all the United States begins it had received and all the proceeds of all the company bands and of all and all the proceeds of all the company bands and of all and all the proceeds of all the company bands and of all the own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own bonds it was authorized to issue up to that paid its own to fill on the proceeds of all the company band expression. It may seem at this time a very unimportant announcement to say that this corporation is carrying a floating debt of five millions, but it was a supposed that the terms of this contract would leave a large profit to the Construction Company, but such anticipations were not realized. We have before us its outcome, and we see that the contract was offered was well founded. For Mr. Brown, the Manager and Secretary of the Contract and Flance Company.

It is ver

fore, if the Contract and Finance Company and been compelled at that time to meet its indebtedness, it was bankrupt. If a market had been found for this stock at ten cents on the dollar, it would still have been owing about \$1.500,000, without any assets of any kind to have met such indebtedness.

Such is the outcome of those contracts, which may be said to be historic. It shows that the corporation and the individuals who are supposed to have gutted, destroyed, and crippled the Central Pacific Railroad Company brought themselves beyond the verge of bankruptcy in fulfilling their conditions.

STOCK OF LITTLE MARKET VALUE.

It is equally true of this contract, as I said

It is equally true of this contract, as I said before with respect to the contract to Charles Crocker & Co., that after years of patient waiting in the one case from 1896 to 1881, and in the other from 1890 to 1881, after from twelve of the contract after of the treen years of anxiety and embarrassment, in the other from 1890 to 1881, after from twelve of the contract and the contract and the contract of debt without any present minance of olars ing in times of bankruptcy or disaster, the stockholders of this construction company did realize some profit. But, as actions speak louder than words, and as men's views are expressed in their acts, we have indubitable evidence of what was the value set upon the stock of this corporation in 1871, two years after the Central Pacific Railroad Company had been completed and had been in active operation. For, at this time, when dided roads; when the Central Pacific Railroad Company had been empleted and had been in active operation. For, at this time, when dided roads; when the Central Pacific Railroad Company had between Ogden and San José, of a branch and profitable line to Oskland; of the Oakland and Alameda ferries; of several hundred miles of the California and Oregon road, and of the San Josquin Valley road, from the connection on the line of the Contral Pacific at Lathroo to Goshen, we find that the stock owned by Mr. Charles and Mr. E. B. Albert of the Contral Pacific at Lathroo to Goshen, we find that the stock as soid to Huntington, Hopkins and Stanfowthas soid to Huntington, Hopkins and Stanfowthas soid to Huntington, Hopkins at twelve cents on the dollar, two years after the stock when the complete of the contract and Finance Company, 233,00,000, soid at this time at twelve cents on the dollar, two years after the completion of the road, the purchasers were compelled to return to Mr. Crocker than contract and the price was flowed to the product of the contract of the

scapinalists to the mest eaguaged on this work is binneed a railroad building, that they were thought to be insane. "We thought they were they were thought to be insane. "We thought they were the promoters of the country was doring the entire inflated condition." It is not overment the entire inflated condition. "As we have said before, the Government has the were they were the were they w

THE PURCHASE AND BUILDING OF ROADS CONSOLIDATED WITH THE CENTRAL PACIFIC.

The Central Pacific, with the assent of Congress, assigned its right to construct all that portion of the aided road, from the city of San José to the city of Sacramento; but the assignees were unable to perform the work, and alter there had been several failures of contractors, the promoters of the Central Pacific arranged with the assignees to turn the organization over to them, and they finished and equipped the road in accordance with the requirements of the act of Congress.

At the time of the connection with the Union Pacific, the aided road consisted of a line from the City of San José, fifty miles south of San Francisco to Promontory.

The transcentinental business, both in freight and passengers, could reach San Francisco by a transfer at the city of Sacramento to the steamboats then piying the waters of the Sacramento, and owned by the corporation known as the California Steam Navigation Company; or, being carried to San José, they could be transferred to the San Francisco and San José Railroad Company, and would reach San Francisco. a distance of 177 miles, which route, from San José to San Francisco, was impeded by a grade of ninety-two feet to the mile.

To utilize the construction of the Western Pacific it became necessary to connect it with the city of Oakland, and from there use the ferry to San Francisco.

When the main line was finished, it afforded but little convenience to people, either in the northern or southern parts of the State of Cali-

fornia; to afford the proper accommodation, to increase its revenue, and to invite immigration and actilement, it was necessary that feeders should be constructed. Accordingly the promoters and stockholders of the Central Pacific organized the company called the San Joaquin Vailey Company, for the purpose of building a line of railroad from Lathrop, a point on the Western Pacific Railroad, about eight miles south of Brockton, to Goshen, in the county of Tulare, a distance of 146.3 miles.

This road was built by the Contract and Finance Company with money furnished by its stockholders, and was paid for in the bonds and stock of said railroad company.

It may be said of this contract, as of many others that were let to the different construction companies in which the directors of the Central Pacific have been stockholders, that they built the road with moneys furnished by themselves, and had the road for their outlay. In other words, they paid to the construction company the bonds and stock of the railroad so constructed, and waited until such time as they could develop sufficient business on the road built to induce the public to buy the bonds or the stock. If the country through which the railroad ran developed sufficient business, then the project was a success; if it did not, then the operation was a loss. These gentlemen took all the responsibility; any loss occurring was necessarily theirs, and of right the profils belonged to them.

But it is said that they violated a well-known rule of equity in dealing with themselves, that they were trustees, and that they were representing both sides of the contract.

The answer is, that they did not find any one who who who what was thon an almost uninhabited country, and accept the bonds and stock of the road in payment. And when it is said they were trustees, if they did occupy such relation, it was merely technical, for they represented only their own interest on both sides, there being no one else concerned in the transaction, it was merely technical, for they re

being no other persons interested in the subject matter.

NON-AIDED LINES.

To perfect the railroad system of the west coast for military and postal uses, to serve the people in the northern part of the State, and to make a connection at Portland, which became necessary for the protection of the Central Pacific after aid had been given to the Northern Pacific, the promoters of the Central Pacific after aid had been given to the Northern Pacific, the promoters of the Central Pacific incorporated the California and Oregon, to run from a point on the main line of the Central Pacific, known as Roseville, to the northern boundary of the State of Oregon as its directors might afterward deem proper.

The directors of this company proceeded with the work of construction to the State line, expecting to connect with the road of the "Oregon and California Company," which was not menced at the city of Portland, and was intended to connect with the Central Pacific at the California line; but owing to the failure of the original promoters and their successors it was not completed until it came into its present ownershin. This work of enormous difficulty and cost has at last been achieved, thus giving connection by rail between the cities of San Francisco and Portland, and direct railroad communication between Paget Sound and the city of Mexico.

The stock of the original Central Pacific Railroad Company of California, of the Western Pacific, of the San Francisco Bay Railroad Company, and of the California and Oregon Railroad Company, were retired and exchanged for \$51.37.700 of the San Joaquin Valley Railroad Company, and of the California and Oregon Railroad Company, were retired and exchanged for \$51.37.3700 of the San Francisco of the california and Oregon Railroad Company, were retired and exchanged for \$51.37.3700 of the San Francisco of the california and Oregon Railroad Company.

The new Central Pacific Hallroad Company:

For the stock of the Central Pacific of California.

For the stock of the Western Pacific Fornia.

For the stock of the California and Oregon 1, 53, 335

For the stock of the San Joaquin Valley 805,000

For the stock of the San Francesco, Oakiand
and Alameda. 760,300

The entire capital stock of the last mentioned consolidated company being the same as that

The entire capital stock of the last mentioned consolidated company being the same as that of the Central Pacific Railroad Company of California, one hundred millions.

None of the roads consolidated with the Central Pacific of California have ever been a burden on the earnings of the main line; and the policy of consolidation, to put them all under one management, and run them all in one system, was certainly wise management in saving cost of superintendence, and, to some extent, of motive power and equipment.

If we may judge from the questions put by the Commissioners to witnesses that appeared before them, they were under the impression that these different lines were represented by too much of the capital stock. As we have heretofore said, that is a matter which concerned only the stockholders, and no bona-fide stockholder has been heard to complain. All those who own stock at prosent bought in view and with the full knowledge of what had been issued, and the purposes for which it had been issued. And certainly, from the position that the Government occupies in this matter, it has no cause of complaint.

The surplus earnings were divided among the stockholders, and whether those earnings were divided upon the basis of an issue of fifty millions instead of five millions does not in any way interfere with the rights or the security of the Government.

After this consolidation various reads were built by the directors of the Central Pacific, through one or other of the construction companies. Many of them were leased to the Central Pacific, but as the result shows, as heretofore stated, at a net profit of something over ten minions. All such roads have been feeders to the main line or aided road; so that, in this respect, as in all the other acts of the company, the position of the Government bas not been damaged.

The only work undertaken by the directors of the Central Pacific which has in any way withdrawn any of the revenues from the aided road has been the construction of the Southern Pacific, which they

withdrawn any of the revenues from the aided road has been the construction of the Southern Pacific, which they were forced to undertake in consequence of the legislation of Congress providing for such a road, and which, if they had not undertaken it, would have resulted much more disastrously to the revenues of the Central Pacific, as we stare hereafter, and as the testimony before the Commission shows, that unless the Directors of the Central Pacific road had concluded to undertake its construction for the purpose of protecting the carnings of the Central, the Government would have guaranteed or endorsed eighty or one hundred million of the bonds of the corporation represented by the late Thomas A. Scott, to be used in such construction.

represented by the late Thomas A. Scott, to be used in such construction.

XII.

CHARGE OF DIVERTING TRAFFIC FROM AIDED TO NON-AIDED LINES.

It is said that traffic has been diverted from the sided to the non-aided roads. That is true only in one case, and for that the Government, and not the directors, is responsible.

As to the roads built in California that are not included in the system of the Southern Pacific Railroad Company, all have tended to increuses the carrings of the sided line, and this is also true of such business as the Southern Pacific Railroad Company, all have tended to increuse the carrings of the sided line, and this is also true of such business as the Southern Pacific is such the Central Pacific at Goslon.

But, as we say, the diversion of the through business from the aided line to the Southern Pacific is not the fault of the Central Pacific. The Government forced this property on the promoters of the Central Pacific. It subsidized the line, provided it was built within a certain time, and it must have known that if two roads were to do the transportation that the contage from the condition of the market forcease from the condition of the Central Pacific was the limited and population upon the Facific coast the end will not to Ogden, it was in a criphed linancial condition. It had, from the great difficulties of construction, and from the condition of the markets for labor and materials at the time at which it was constructed, and from the upparable dasse of such construction, spent enough money in said construction to have paid for the building of two such roads.

And so with the Southern Pacific With the Southern Pacific Railroad in adverse possession, nor could they take the risk of allowing it to be built by Mr. Scott, or others in the interest of the Pennsylvania Railroad, with moneys furnished by the Government.

It was not a choice for the Central Pacific whether it would construct this channel for the diarrished by the provided by the Construction of troops, munificon, with the

signature. Signature of the contract and that the revenue from this source we expected, and as a you expected, and as a you expected, and as as was so announced in the debates in Congress, would cover the credit which you advanced to us, and the interest that you were to pay for our use of auch credit; and we say that you have so far fallen short in your contract with us as to render to us your business amounting to but one-tenth part of the promised compensation, and althoush you agreed to pay us for doing all your business reasonable and fair compensation, and althoush you agreed to pay us for doing all your business reasonable and fair compensation and the same rates paid to us by our other patrons, yet that you have so far disregarded your obligations in the premises as to keep from us all the transportation you controlled which you could ship by any other line, not even giving to us the preference at the same prices; and we show you that by our efforts and the use of our capital you have already saved by the performance of our contract and retained in your Treasury over \$139,000,000, and, in the language of the General commanding your armies, the Indian as a problem has been obliterated from army tacties by reason of opening the vast territory between the Missouri and the Sacramento to settlement and civilization, all of which has been accomplished by the due fulfilment of our part of the contract entered into with you.

When we come to you, as the governing power of the nation, to represent these facts and the Sacramento to settlement and the sadvantages which you enjoy, and will continue to enjoy, we say they are matters which should engage your earnest attention, and we ought not to be met with vituperation or invective.

CHARGE OF INFLUENCING LEGISLATION.

The Commission appointed under the act of Congress of March 8, 1887, were to inquire:

The Commission appointed under the act of Congress of March 8, 1887, were to inquire:

What amount of money or other valuable consideration, such as stock, bonda passes, ac., have been extended to the such as stock, bonda passes, ac., have been extended to the such as stock, bonda passes, ac., have been extended to the appear of the such as the such as

Further to inquire and report whether said companies or either of them, or their officers or agents, have paid any money or other valuable consideration, or done any other act for the purpose of influencing legislation.

Mr. Stanford answered as follows:

returned them, or their officers or agains, have paid objects of the unroose of influencing ingistation.

Mr. Stanford answered as follows:

In answer to interrogatory No. 21, I have to say, in behalf of the tentral Pacific Sailroad company, that no deduction will be made from that pertion of the net earnings belonging to the United States, on account of any expenditure for which detailed and satisfactory vouchers are not furnished. We will account to the Government as it no such expenditures had been made.

The witness further said: "I never corrupted or sought to corrupt any member of any Legislature, or any member of Congress, or any public official, nor have I ever authorized or allowed any agent of mine so to do."

It is in evidence before the Commission that all the expenditures made by Mr. Stanford, for which there are no detailed vouchers, involved the expenditures made by Mr. Stanford, for which there are no detailed vouchers, involved the expenditures was, by the action of this Board, pretending to exercise judicial functions, forced into the position of the purpose of the expenditure was, by the action of this Board, pretending to exercise judicial functions, forced into the position of being compelled, under the advice of his counsel, to decline further reply.

It may be said that it appeared when the matter was submitted to the Circuit Court of the United States, upon the application of the Commission to compel the witness to answer, that this particular voucher had already been scrutinized by the Government Auditor of Railroad Accounts; that he had refused to allow it as a proper deduction from the gross earnings of the company, and that in settling with the Government the amount of this woucher was treated as money on hand, and the United States received its proportion, which was covered into the Federal Treasury in the manner provided by law.

The questions put by the Commission were calculated to put this witness in a false position. He had swown he could not remember the purpose of influencing

the duty to use his influence to obtain such laws as his necessities justly demand. The duty of determining upon the propriety of a proposed statute is with the legislative body. As the necessities arise for interfering in legislative acts, the nurpose of which is not amounted before a Legislature meets, and as the persons interested in such subject may be distant from the State House or from the national capital, it is proper to employ agents who resiste at the capital of the State or of the nation to represent those who may be interested in the enactments proposed.

The payment of money to influence legislation may be made with the most perfect propriety. Effective service by intelligent agents cannot be procured gratuitously before a legislative department more than before the judicial department.

The payment of money to influence legislation may be made with the most perfect propriety. Effective service by intelligent agents cannot be procured gratuitously before a legislative department more than before the judicial department.

In England the business of parliamentary agonts is recognized and respected. Those having business with the Legislature of Great Britain are represented by agents, just as suitors in court are represented by counsel, and although the business of agents of this character in this country is not as highly esteemed as in Lugand, it would be better for the command of the country of of the

sel, learned in the law, to protect it against an unjust judgment.

To defeat proposed unjust and hostile legislation, a resort must be had to the services of those not known to be in the employment of the corporation whose interests they guard.

The plans and purposes of the authors of drastic measures would not become known to the directors of the corporation, if their agents heralded their employment.

Corporations, like governments, must work with secret agents, and when the business of such an agent becomes public, his usefulness is at an end.

To have informed the Commission of all the agents employed by the corporation under the management of this witness would have put in peril the further prosecution of its business, both physical and financial.

Some portions of the road, operated by the Central and Southern Companies, are run through districts where the safe passage of a train is subject to the same risk of interference as a stage used to be on our frontier lines. There are men banded together in the Territories to rob the mails and treasure in transit. We could not, with any safety, name the men employed in the prevention or detection of these acis.

We have agents also to guarantee to us the faithfulness and to warn us of the unfaithfulness of various classes of employees. Their discharge from our service must necessarily foliow the rendering of their names. The most important information that all corporations of this character receive must of necessity come through secret agents. The names of the attorneys who appear before committees or courts are well known, but it is not with that class that the Commission were concerned.

To accomplish these results thore must be in the employ of the corporation well-trained special agents, and money must be disbursed for their remuneration, in the conduct of public affairs a fund for this purpose is usually provided by the Legislative Department to be used by the Executive.

Buch a fund has been intrusted to the Chief Magistrate of the nation, and to the Gove

After the construction of the Union and Central Pacific roads, it was seen that both Congress and the companies had been mistaken in their ealculation of the amount that the transportation done by the companies for the Government would produce. Instead of, as was contended by the Senators and Representatives in the debates that proceeded the passage of the act of 1862, and its amendment in 1864, such transportation producing an amount that would not only satisfy the interest to be paid, but would leave a considerable sum in each year to constitute a sinking fund for the redemption of the principal, it was found, that while the business increased in volume, yet the rate of compensation being so greatly reduced from the prices the Government and to pay before the construction of the roads, that the companies could not and did not in any one year perform sufficient service to meet the annual payment for interest.

As we have heretofore shown, the Government was, of course, a large gainer by this mistake of the parties in their anticipation of the results of the construction of these roads. The Government had all the service that it required, performed at about one-tenth of the charges they had paid before the road was built. Instead of paying to the companies such rates of compensation as they had anticipated, they covered the difference into the Trasury, and the companies became its debtors for the difference between the rates of transportation allowed and the amounts paid for interest on the bonds.

An attempt was then made to force the companies to repay to the United States the interest on the bonds as the same was paid by the Government, but the Supreme Court decided that the companies were under no obligation to refund to the United States the interest on the bonds, and the supreme Court decided that the companies were under no obligation to refund to the United States the interest paid before the maturity of the principal of these bonds, money was an afferthought, and that

before the maturity of the principal of the bonds.

The point does not seem to have been made or suggested that the payment by the companies of the interest or the principal of these bonds in money was an afterthought, and that by the terms of the contract, contained either in the act of 1862 or the amendment of 1864, they were obligated to pay only in services, and without regard to time.

It became evident, from the transportation accounts between the companies and the Government, that the latter was paying in tenyears only about the amount they had anticipated paying in one, and that such sums, is leading to the paying in one, and that such sums, is leading to the five per cent, of the net earnings, would never suffice to discharge the interest or principal of said bonds, and that the total amount of such interest and principal at the time the bonds matured would be far beyond the ability of the companies to pay.

It will not be forgotten that during all the time the only sufferers were the companies; the Government was losing nothing; it was annually saving an amount sufficient to cover all the interest it was paying, and enough more to cancel a portion of the bonds. In other words, it was keeping to itself the money which, when it made its contracts with the companies were keeping their contract with the commanies were doing all and more than they had agreed; that the United States were reading the entire benefit of the contract, as designed by the representatives of the people when it was made—shut its eyest to the fact that innotents of the compensation which it had innotents of the compensation which it had innotents of the compensation which it had innotents to the contract, And so it resolved, in defiance of law contract, An

CAN THE UNITED STATES VIOLATE ITS CONTRACTS?

Mr. Justice Strong, dissenting, said:

In my opinion, the act of Congress of May 7, 1878, is plainly transgressive of legislative power.

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In my opinion, the power of a Legislative, under any pretence, to alter a contract into which the Government has entered with a private individual as it is for any officer party to a contract to change its terms without the consent of the person contracting for him. As to list the consent of the person contracting for him, as to list contracting the contractions.

Spenking of the Contractors.

Spenking of the Contractors made by the acts of 1862 and 1864, Mr. Justice Strong says:

It is manifest that by this contract the Government acquired a vested right to payment at the time and in the mode specified, and the company acquired a vested right to withhold payment until, by the terms of the act, it became due. The contract implied an agreement not to call for payment or additional security before that time. There is no technically about vested rights. Most of them grow out of contracts, and no mailer how they arise, they are all contracts, and no mailer how they arise, they are all the set intended to enforce are other provisions of this set intended to enforce are other provisions of the set of the contract of loan and borrowing previously existing between the Government and the railroad companies, and change it at the will of the creditor alone.

Mr. Justice Bradley, also dissenting, said:

I think that Congress had no power to pass the act of May 7, 1878. The power of Congress, even over those

The first proposal to the control of public for the control of the first proposal of the

Balance in fund, bonds and cash \$2,596,187 32

Balance in fund, bonds and cash ... \$2,506,187 32

Initerest that would have been earned by the company's investments to June 1, 1837 ... \$1,040,008 54

Balance of dencit to date by Government investment ... \$72,463 18

Loss to Central Pacific by United States sinking fund investment ... \$1,612,906 72

If the money paid into the sinking fund had been left with the Central Pacific and allowed to earn, and it had been earning six per cent, per annum. there would to-day be in the sinking fund investment ... \$1,612,906 72

There are no present obligations imposed on these companies by any law which are not now failfilled.

But the Government does not appear at all uneasy about the unfortunate position in which the linances of these roads have been placed under the report of the Secretary of the Interior for the year 1880, which has annexed the report of the Auditor of Railroad Accounts, dated Nov. 1, 1980, the Auditor, at page 17, after showing that the payments rendered by the Central Pacific to the sinking fund, from July 1, 1878, to June 30, 1879, had amounted to a grand total of \$798,454.31, and that \$512,200 of that sum had been invested in bonds, of which \$119,000 were the bonds issued to aid in building the road, and that upon said \$119,000 the Treasury had paid and charged to the Central Pacific to the sinking fund, from July 1, 1878, to June 30, 1879, had amounted to a grand total of \$798,454.31, and that \$512,200 of that sum had been invested in bonds, of which \$119,000 were the bonds issued to aid in building the road, and that upon said \$119,000 the Treasury had paid and charged to the Central Pacific to the sinking fund from July 1, 1878, to June 30, 1879, had a mounted to a grand total of \$77,285,78, says;

The amount of premium paid is so large that the companies have protested against the livestment at such heavy cost. * * The Holorable the Secretary of the Treasury, in 1878, and again in June, 1880, informed toncress of the olifeuities which lay in the way of making a last and pondable investment o

In the report for 1884 the Commissioner shows to the credit of the Central Pacific, un-invested, \$2,020,909.13. Ho says:

invested, \$2,020,909.13.

Ho says:

More than one-fourth of the sum now in the sinking fund is uninvested, occasies, under the law, this fund can only be invested in Government bouds, which charge high premium and pay low interest.

If larver discretion were allowed the Secretary of the Treasury, the whole fund inight be invested and at a higher rate of interest.

In the seven years since 1978 only the sum of \$2,050,00.00 has been paid into the sinking fund, which has produced in interest but \$407,024.95. This proper that the issue of 1978 cannot accomplicat the object intended, that the issue of 1978 cannot accomplicate object intended.

There probably never has been so obtuse, unjust and unintelligent a mode of caring for the property of a debtor as that exhibited in carrying out the terms of this Thurman bill. The responsibility of providing for the company's indebtedness has been assumed by the Government. It rejected every plan which the company proposed. If any of the suggestions made by the company had received invorable consideration, the sincount now to be applied to the payment of its indebtedness would have been increased by at least 33 per cent, without reference to the proposed payment, byreturning the lands donated, and this loss has been incurred by the improvident manner in which Congress and the Treasury officials have managed this sinking fund.

COMPANIES FIRST SOUND THE ALABM. It cannot be charged that the companies are in any way negligest in the matter of providing for this omergency. In February, 1875, Mr. Sidney Dillon of the Union Pacific Railway